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SENSITIVE
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DEPARTMENT PLEASE PASS USTR AND PEACE CORPS
COMMERCE FOR ITA/NATE MASON

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TAGS: [ETRD](#) [EINV](#) [ECON](#) [EAIR](#) [PREL](#) [TS](#)
SUBJECT: TUNISIAN MINISTER OF DEVELOPMENT WANTS TO REVIVE
TIFA TALKS, CLAIMS OPEN SKIES ARE ON THE HORIZON, DISCUSSES
ECONOMIC TRANSFORMATION AND CHALLENGES

REF: A. 08 TUNIS 296
[1](#)B. 08 TUNIS 293

Sensitive but unclassified. Please protect accordingly.

Summary

[1](#)1. (SBU) During an October 19 introductory call, Minister of Development and International Cooperation Mohammed Jouini told the Ambassador he lamented the loss of momentum in the bilateral economic dialogue since the promising TIFA Council meetings in March of 2008 and hoped to see the process reinvigorated. Jouini also claimed President Ben Ali had taken a decision that would pave the way for conclusion of open skies agreements with the U.S. and other countries in the near future. Jouini also discussed GOT efforts to advance structural transformation, noting Tunisia was making progress in liberalizing its services sector - a key aspect of its strategy to combat unemployment. End summary.

Restart TIFA

[1](#)2. (SBU) Welcoming the Ambassador to Tunis, Jouini said he hoped the coming years would see a reinvigoration and upgrade of the bilateral economic dialogue. Jouini specifically regretted the loss of momentum following a promising set of TIFA Council meetings in March 2008. Working groups established to focus on several sectors petered out and the process became ad-hoc, the Minister claimed. Both sides gradually lost sight of the framework envisioned in March of 2008, and the process faded away. Now is the time to revive it, Jouini asserted. (Comment: In fact, after a promising start at the TIFA Council talks, the GOT rather abruptly reverted to radio silence, largely unbroken until this meeting. End comment.)

[1](#)3. (SBU) The Ambassador underlined that the USG would like to move forward with the framework discussed in March of 2008 and was ready to reengage and reinvigorate the TIFA process. As in many other aspects of our bilateral cooperation, the amount of progress we can make will be proportional to the quality of our working-level contacts. The early November visit by the Tunisia desk officer would provide a good opportunity for the U.S. side to sit down with Tunisian counterparts and identify means to get the TIFA process up and running again. Jouini welcomed the idea, said he hoped the two sides could develop a work plan for 2010, and designated his Director-General for Bilateral Cooperation and a Director charged with handling cooperation with the U.S. as points of contact.

Open Skies

¶4. (SBU) Shifting gears, the Ambassador noted that the U.S. was interested in concluding an open skies agreement with Tunisia and had forwarded for consideration a revised draft agreement to the Ministry of Foreign Affairs on September 14. Jouini indicated that he supported such an agreement and predicted that it would come to fruition within two years. The Minister pointed to October 11 remarks made by President Ben Ali as he launched his reelection campaign, in which he pledged to promote liberalization of the civil aviation sector. The Ambassador said this was good news and looked forward to hearing specific Tunisian reactions to the draft agreement the U.S. had presented.

Financial Crisis

¶5. (SBU) Jouini devoted much of the meeting to outlining his view of Tunisia's economic challenges and its efforts to transform and modernize the economy. The impact of the Global financial crisis has been relatively mild in Tunisia, but, with up to 1/3 of the economy directly linked to foreign trade, the country was not immune to such global shocks. Tourism receipts had not grown in 2008-09, but neither had the fallen, putting the country on a better footing than tourism-dependent neighbors such as Egypt and Morocco.

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Unemployment

¶6. (SBU) Tunisia needs to maintain high GDP growth so that the job market can keep pace with new job seekers in the population (growing at 1 percent annually), Jouini noted, hoping the country would reattain 6 percent growth in 2010. The unemployment challenge, while difficult, is not as bleak as some believe, Jouini observed. 63-65 percent of new job market entrants find work within one year, he noted, and 80 percent are employed within two years. The GOT is also "putting mechanisms in place" to assist the remainder of long-term unemployed youth, Jouini added.

¶7. (SBU) Investments in education were key to retaining Tunisia's comparative advantage in human capital and increasing the country's potential as a destination for foreign direct investment, Jouini underlined. The education system was itself strained by exploding demand - there are about 400 thousand Tunisians enrolled in universities today as opposed to 120 thousand just ten years ago, he noted. The growth of student enrollment is attributable both to population growth and to a policy of relaxation of admissions standards in order to extend educational opportunities as widely as possible, Jouini said.

Structural Transformation

¶8. (SBU) The Ambassador mentioned new bilateral cooperation programs currently in development by the U.S. Department of Commerce's Commercial Law Development Program that would increase exchanges between U.S. and Tunisian scientists and engineers, and a program that would offer technical assistance as the GOT implements its new law on franchises, as well as a MEPI grant to promote entrepreneurship being designed by the U.S. Small Business Administration. Jouini welcomed all of these initiatives, noting they fit in with

Tunisia's objective of overhauling and restructuring its service sector.

¶9. (SBU) Tunisia has a long and proud tradition of vibrant small businesses, Jouini noted, a constituency that has long resisted efforts to liberalize the service sector. Such opposition paralleled resistance a decade earlier to liberalization of manufacturing, Jouini observed, while today no one disputes that this was the only rational course. There is today growing acceptance of liberalization of services as well, Jouini believed, and there is great potential for growth in the areas of transportation, finance, health care, and retailing.

Peace Corps

¶10. (SBU) Toward the meeting's close, the Ambassador asked Jouini for his sense of whether the GOT might be receptive to reestablishing a Peace Corps program in Tunisia. Tunisia had "graduated" from the Peace Corps and USAID programs in the 1990s, but some today believe ending the Peace Corps program in Tunisia was short sighted. Jouini regretted that the U.S. had in the 1990s disengaged from many useful bilateral assistance activities and many opportunities had been lost in the process. Jouni said he was unable to offer a definitive GOT view on a potential return of the Peace Corps but suggested that the idea be broached in the context of a broader cooperative framework rather than as a stand alone proposal.

Comment

¶11. (SBU) The GOT's abrupt and mainly unilateral disengagement from the TIFA process following the promising 2008 TIFA Council meetings remains mysterious to us and leads us to take with a grain of salt Jouini's comments about reinvigorating the process. We will nonetheless test the GOT's seriousness in the coming weeks and keep Washington agencies advised of developments. End comment.

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GRAY